ROTH IRA WITHDRAWAL RULES

Sources, Tax Treatment & Penalty Rules by Category

All Roth IRA withdrawals follow IRS ordering rules applied **in aggregate across every Roth IRA you own**, regardless of custodian: (1) Contributions first, (2) Conversions oldest-first, (3) Earnings last.

SECTION 1 — SOURCES OF MONEY IN A ROTH IRA

Category	What Falls Into This Category
1. Contributions	• Direct annual Roth IRA contributions • Backdoor Roth — after-tax (nondeductible) IRA basis converted to Roth • Roth 401(k) rolled over to Roth IRA — contribution basis portion only (earnings portion of the same rollover goes to Category 3 - Earnings) • Roth 403(b) rolled over to Roth IRA — contribution basis portion only (earnings portion of the same rollover goes to Category 3 - Earnings)
2. Conversions	• Traditional IRA (pre-tax) → Roth IRA • Rollover IRA (pre-tax) → Roth IRA • Pre-tax 401(k) directly → Roth IRA • SEP IRA or SIMPLE IRA (pre-tax) → Roth IRA *Note: Only the pre-tax portion triggers conversion rules. After-tax basis in any of the above falls into Category 1 - Contributions.*
3. Earnings	• All growth and appreciation inside the Roth IRA • Earnings that accrued inside a Roth 401(k) before rollover • Earnings that accrued inside a Roth 403(b) before rollover • Dividends and interest earned inside the Roth IRA

SECTION 2 — WITHDRAWAL RULES BY CATEGORY

Category	Under 59½ Forever 5-yr NOT Met	Under 59½ Forever 5-yr Met	Over 59½ Forever 5-yr NOT Met	Over 59½ Forever 5-yr Met
1. Contributions *(all sources listed above)*	**Tax-Free + No Penalty ✓**	**Tax-Free + No Penalty ✓**	**Tax-Free + No Penalty ✓**	**Tax-Free + No Penalty ✓**
2a. After-Tax Conversions *(basis only; no pre-tax money)*	**Tax-Free + No Penalty ✓**	**Tax-Free + No Penalty ✓**	**Tax-Free + No Penalty ✓**	**Tax-Free + No Penalty ✓**
2b. Pre-Tax Conversions *Within each conversion's 5-yr window*	**Tax-Free + 10% Penalty ■**	**Tax-Free + 10% Penalty ■**	**Tax-Free + No Penalty ✓**	**Tax-Free + No Penalty ✓**
2b. Pre-Tax Conversions *Past each conversion's 5-yr window*	**Tax-Free + No Penalty ✓**	**Tax-Free + No Penalty ✓**	**Tax-Free + No Penalty ✓**	**Tax-Free + No Penalty ✓**
3. Earnings	**Taxable + 10% Penalty***	**Taxable + 10% Penalty***	**Taxable + No Penalty***	**Tax-Free + No Penalty ✓**

** **Penalty exceptions** exist for earnings: disability, death, first-time home purchase (up to $10,000 lifetime), SEPP/72(t) payments, unreimbursed medical expenses, health insurance premiums while unemployed, qualified higher education expenses, and IRS levy. Exceptions waive the 10% penalty only — income tax on earnings still applies.*

Simplified Summary of the Rules Above

If you are under 59½, earnings withdrawn from a Roth IRA are subject to a 10% penalty and income tax on the amount withdrawn, unless an exception applies (see above). All other withdrawals are tax-free and penalty-free, **except** where one of the two five-year clocks below applies.

Per-Conversion Five-Year Clock	• Only relevant **if you are under 59½**. (If you are 59½ or older, this rule no longer applies to you — even if the conversion took place before you turned 59½.) • Only applies to **pre-tax money converted to a Roth IRA** (for example, from a traditional IRA or 401(k)). • Withdrawing converted funds **before** the clock expires triggers **no tax**, but a **10% penalty**. • Withdrawing converted funds **after** the clock expires triggers **no tax** and **no penalty**.
Forever Five-Year Clock	• Only relevant **once you reach 59½**. (Fund a Roth IRA early — ideally before age 54 — so this clock has already expired by the time it matters.) • Only applies to the **earnings** in your Roth IRA. • Withdrawing earnings **before** the clock expires triggers **tax**, but **no penalty**. • Withdrawing earnings **after** the clock expires triggers **no tax** and **no penalty**.

SECTION 3 — KEY RULES TO REMEMBER

Withdrawal Order (IRS Ordering Rules)	Applied in aggregate across **all Roth IRAs you own**, regardless of custodian: 1. Contributions (oldest first) 2. Conversions (oldest first — FIFO) 3. Earnings (last)
Forever Five-Year Clock (Earnings)	Starts **January 1 of the year your first Roth IRA was first funded** (i.e., the year of your first contribution or conversion). Simply opening an account does not start the clock — it must be funded. One clock applies to all Roth IRAs you own. Required (along with age 59½) for fully tax-free and penalty-free earnings withdrawals.
Per-Conversion 5-Year Clock	Each pre-tax conversion starts its own **independent five-year clock** on January 1 of the conversion year. Multiple conversions = multiple clocks running simultaneously. Does **not** apply to after-tax conversions or Roth 401(k)/403(b) rollovers.
Two Clocks Are Independent	Meeting the Forever 5-year rule does **not** satisfy the per-conversion rule, and vice versa. They are governed by separate IRC provisions and serve different purposes.
What 'Conversion' Means	A conversion is the movement of **pre-tax money into a Roth IRA**, triggering a taxable event. After-tax money moved to a Roth is technically called a conversion in common usage, but the tax and penalty rules that apply to it are the same as for contributions — because no pre-tax money is involved.
Roth 401(k)/403(b) Rollover Treatment	When a Roth 401(k) or 403(b) is rolled to a Roth IRA: the **contribution basis** is treated as Roth IRA contributions (Category 1 — accessible anytime). The **earnings** from inside the plan are treated as Roth IRA earnings (Category 3 — subject to Forever 5-yr + age 59½). The Roth IRA's Forever clock governs — not the 401(k)'s / 403(b)'s clock.

For informational purposes only. Not tax or legal advice. Consult a qualified tax professional or fee-only fiduciary advisor for guidance specific to your situation. Authority: IRC §408A, Treasury Regulation 1.408A-6, IRS Publication 590-B.